

## TSH Resources Berhad

(9059 | TSH MK) Main | Plantation

### Within Expectations

#### KEY INVESTMENT HIGHLIGHTS

- **Within Expectations**
- **Plantation profit spiked during quarter on higher CPO ASP realized**
- **Others segment contribution maintained loss**
- **Revised earnings: maintain**
- **Maintain NEUTRAL with a TP of RM1.18**

**Earnings weaken.** The FY23's core PATMI came-in within ours but fell below the consensus full-year forecast, accounting 103% and 77%, respectively, at RM95.0m (-49.7%yoy). This was attributed to a decline in revenue by -18.4% to RM1.07bn, on lower price effects of CPO and PK in the palm product segment. Furthermore, operating profit contracted to RM193.4m (-19.1%yoy) despite higher palm product registered, as losses from others subsegment amounted -RM11.8m dragged the overall profitability.

**Palm products segment.** The profitability of the plantation subsegment squeezed to RM225.4 (-69.4%yoy), no thanks to the lower CPO average selling prices realized amounted RM3,437/Mt (-16.2% yoy) and PK of RM1,727/Mt (-35.3%yoy). Meanwhile FFB production recorded a slight decline to 905,437 Mt (-2.0%yoy), influenced by dry spells condition in Kalimantan, where a hotspot spotted, and a reduction in harvesting area due to the disposals of two estates in Sabah in the 1HFY22. Despite these challenges, the margin for the segment relatively stable at 22.6% (-2.5 pts), aligns with stabilised of cost of production.

**Others segment contribution remains loss.** In FY23, its others segment continued its loss making but narrower to -RM11.8m (FY22; -RM33.7m). This downturn can be attributed to the fair value gain on forest planting expenditure of RM0.3m (FY22: -RM37.2m).

**Earnings estimates.** We retained our earnings estimates as the net profit came in line with our expectations. TSH's performance has been consistently positive; however, the FFB production was impacted by the dry weather conditions in Indonesia, exacerbated by the additional challenges of the Indonesia Export Levy and Duty on CPO. There is potential for an earnings boost in 2Q24, as both Malaysia and Indonesia are anticipated to experience a Mild El-Nino, which could drive upward movement in CPO prices.

**Maintain NEUTRAL.** While TSH operates primarily as a pure upstream player with a strong correlation to CPO movements, its share price does not necessarily reflect significant fluctuations unless there are notable developments capable of influencing CPO prices beyond the RM4,500/Mt level observed in 2022. Hence, we are maintaining our **NEUTRAL** call with a new TP of RM1.12 based as we revised our valuation to PER of 14.0x nearly 5y avg mean by pegging FY24F EPS of 8.0sen.

**Maintain NEUTRAL**

**Revised Target Price: RM1.18**  
(Previously RM0.97)

#### RETURN STATISTICS

Price @ 22 <sup>nd</sup> Feb 2024 (RM)	1.11
Expected share price return (%)	+0.9
Expected dividend yield (%)	+2.0
<b>Expected total return (%)</b>	<b>+2.9</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	9.9	6.0
3 months	13.8	4.6
12 months	3.7	-1.7

#### INVESTMENT STATISTICS

FYE Mar	2023E	2024F	2025F
Revenue	1,064.6	1,081.7	1,087.0
EBITDA	270.3	295.6	319.8
Profit Before Tax	148.5	178.5	204.2
Core PATAMI	92.3	110.7	126.8
Core EPS	6.7	8.0	9.2
DPS	2.0	2.0	2.0
Dividend Yield	1.8	1.8	1.8

#### KEY STATISTICS

FBM KLCI	1,545.49
Issue shares (m)	1380.17
Estimated free float (%)	45.16
Market Capitalisation (RM'm)	1,531.99
52-wk price range	RM0.91- RM1.17
3-mth average daily volume (m)	1.84
3-mth average daily value (RM'm)	1.90
Top Shareholders (%)	
Tan Aik Pen	24.8
Tan Aik Yong	5.2
Embun Yakin Sdn Bhd	4.2

## TSH Resources: 4QFY23 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly							
	4Q22	3Q23	4Q23	QoQ%	YoY%	FY22	FY23	Ytd
<b>Income Statement</b>								
Revenue	283.4	298.7	260.9	-12.7	-7.9	1,307.8	1,066.5	-18.4
Operating profit	51.9	62.0	53.8	-13.2	3.6	239.0	193.4	-19.1
Finance costs	-5.3	-4.9	-4.4	-11.1	-17.2	-32.4	-20.1	-37.8
Core PBT	56.8	60.1	56.1	-6.7	-1.3	256.3	181.4	-29.2
Tax expense	-14.3	-18.3	-26.5	45.1	85.1	-30.8	-72.0	>100
PATMI	45.3	29.5	25.4	-13.9	-43.8	457.5	95.0	-79.2
Core PATMI	15.2	29.5	25.4	-13.9	67.2	188.9	95.0	-49.7
Core EPS (sen)	1.1	2.1	1.8	-13.9	67.2	13.7	6.9	-49.7
				-/+ppt				
OP margin (%)	18.3	20.7	20.6	-0.1	2.3	18.3	18.1	-0.1
PBT margin (%)	23.4	19.3	22.4	3.1	-1.0	42.6	18.5	-24.1
Core PATAMI margin (%)	5.4	9.9	9.7	-0.1	4.4	14.4	8.9	-5.5

## SEGMENTAL BREAKDOWN

FYE Dec (RM'm)	Quarterly							
	4Q22	3Q23	4Q23	QoQ%	YoY%	FY22	FY23	Ytd
<b>Revenue</b>								
Total Revenue	283.4	298.7	260.9	-12.7	-7.9	1,307.8	1,066.5	-18.4
Palm Product	258.7	279.3	245.2	-12.2	-5.2	1,203.9	998.1	-17.1
Others	24.7	19.5	15.7	-19.1	-36.2	103.9	68.4	-34.1
<b>Operating Profit</b>								
Operating profit	51.9	62.0	53.8	-13.2	3.6	239.0	193.4	-19.1
Palm Product	58.4	71.6	51.9	-27.5	-11.1	302.2	225.4	-25.4
Others	-0.7	-3.8	-2.8	NM	NM	-40.7	-11.8	NM
<b>Operating Profit margin %</b>				-/+ppt				
Operating profit margin %	18.3	20.7	20.6	-0.1	2.3	18.3	18.1	-0.1
Palm Product margin %	22.6	25.6	21.2	-4.5	-1.4	25.1	22.6	-2.5
Others margin %	-3.0	-19.3	-18.0	1.3	-15.1	-39.1	-17.3	21.8

Source: TSH Resources, MIDFR

## FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	1,188.9	1,306.0	1,064.6	1,081.7	1,087.0
EBITDA	350.3	640.4	270.3	295.6	319.8
EBIT	240.3	539.6	174.4	199.2	222.8
Finance cost	-41.1	-32.4	-45.9	-43.7	-45.6
Associate & JVs	54.9	50.1	20.0	23.0	27.0
Profit before tax	254.1	557.3	148.5	178.5	204.2
Tax	-52.1	-32.3	-36.0	-43.5	-49.6
PATAMI	169.4	456.4	92.3	110.7	126.8
Core PATAMI	183.7	186.4	92.3	110.7	126.8
Core EPS (sen)	13.3	13.5	6.7	8.0	9.2

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
PPE	1,610.2	1,525.7	1,536.1	1,545.9	1,555.0
Right-of-use assets	288.9	255.1	248.7	242.5	236.4
Biological assets	400.8	364.8	363.7	362.5	361.3
Non-current assets	2,602.2	2,434.5	2,479.5	2,506.1	2,535.3
Biological assets	17.3	13.5	13.5	13.5	13.5
Inventories	143.6	132.9	212.9	216.3	217.4
Trade & other receivables	63.0	39.7	71.0	72.1	72.5
Current assets	705.9	788.9	722.1	804.8	903.1
Total Assets	3,308.0	3,223.4	3,201.6	3,310.8	3,438.5
Loans & borrowings	521.8	394.3	394.3	394.3	394.3
Trade & other payables	204.7	142.2	118.3	120.2	120.8
Current liabilities	792.5	557.2	533.3	535.2	535.8
Loans & borrowings	587.6	429.0	429.0	429.0	429.0
Retirement benefits	19.2	17.3	17.3	17.3	17.3
Non-current liabilities	702.0	534.2	534.2	534.2	534.2
Equity	1,813.6	2,132.1	2,177.0	2,283.1	2,373.3
Liabilities & equity	3,308.0	3,223.4	3,201.6	3,310.8	3,438.5

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	254.084	557.297	148.480	178.481	204.247
Cash flow from operations	393.4	207.7	32.4	205.7	224.5
Cash flow from investing	7.0	623.2	-100.0	-100.0	-100.0
Cash flow from financing	-278.3	-743.5	-110.4	-27.6	-27.6
Net cash flow	122.1	87.4	-178.0	78.1	96.9
Net cash/(debt) b/f	156.5	292.8	376.2	198.2	276.3
Net cash/(debt) c/f	292.8	376.2	198.2	276.3	373.2

Key Metrics	2021A		2022A	2023E	2024F	2025F
P/E (x)	8.3	8.2	16.6	13.9		12.1
DPS (sen)			3.0	8.0	2.0	2.0
Dividend yield (%)	2.7%	7.2%	1.8%	1.8%		1.8%

Profitability Margins	2021A	2022A	2023E	2024F	2025F
EBITDA margin (%)	29.5	49.0	25.4	27.3	29.4
EBIT margin (%)	20.2	41.3	16.4	18.4	20.5
PBT margin (%)	21.4	42.7	13.9	16.5	18.8
Core PATMI margin (%)	15.5	14.3	8.7	10.2	11.7

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### MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

#### ESG RECOMMENDATIONS\* - source Bursa Malaysia and FTSE Russell

☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

\* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology